Iowa Racing and Gaming Commission

Annual Report
2001

LOCATION OF LICENSED FACILITIES

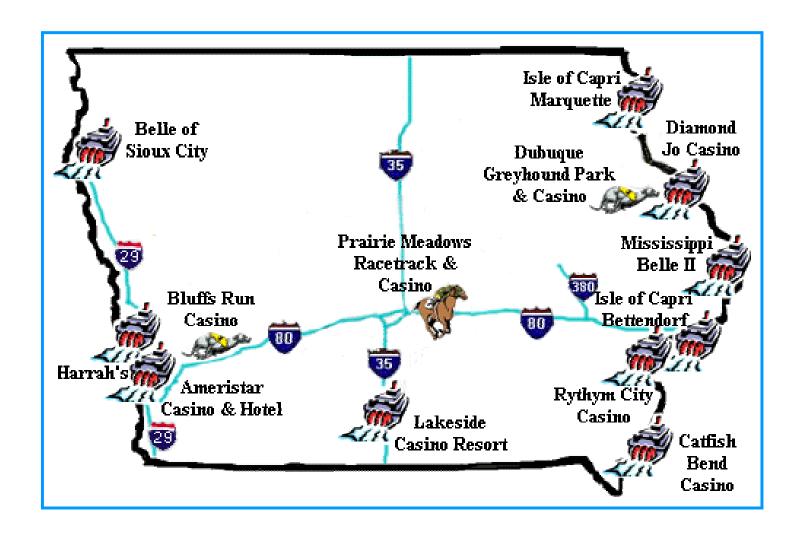


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STATE OF IOWA

THOMAS J. VILSACK, GOVERNOR SALLY J. PEDERSON, LT. GOVERNOR

RACING AND GAMING COMMISSION JACK P. KETTERER, ADMINISTRATOR

March 20, 2002

The Honorable Thomas J. Vilsack Governor of Iowa State Capitol Des Moines, IA 50319

Dear Governor Vilsack:

In the year 2001, the gaming industry has been eventful as in years past. Facts and figures provided demonstrate maturation of an industry, whose longevity in our state was in question at the outset. Regulatory issues continue to lessen as a respectful attitude prevails among the industry of Iowa law, the Commission and their peers. The formation of the Iowa Gaming Association has provided a venue for communication and an understanding of the issues while forming a strong partnership in this year of the gaming referendum.

Adding to the stability of the industry was the acquisition of Harveys by Harrah's Gaming Company. To the Commission, this was significant because this was the first top tier gaming company to locate in Iowa. They are recognized as a national leader in the industry, as well as having a history as a good corporate citizen. Harrah's has been "held up" to the Commission as the "training center" in the industry by many executives from competing companies who had previously been with Harrah's. Programs such as the "Code of Conduct", "Project 21" and "Operation Bet Smart" emulate Harrah's philosophy.

Although revenues at the casinos had slipped somewhat during the year reflecting the economy in general and the effect of September 11, by November and December revenues recovered to their previous levels. However, declines in pari-mutuel wagering continue.

Taking into consideration the Statement of Economic Impact on the State of Iowa in 2001 – Payroll and Related Expenses; Equipment, Supplies and Services; Statutory Required Payments and Charitable Contributions - the impact is overwhelming and is evident statewide. Additionally, gambling tax revenues are being directed toward "Vision Iowa" and gambling proceeds from licensed facilities are supplying matching funds for Vision Iowa projects in their communities. Bolstering one aspect of this economic impact, of course, has been the emphasis the Commission has placed on the use of Iowa vendors. There is also evidence that selected Iowa vendors are now having opportunities where our licensees are doing business in neighboring states.

The Commission continues to be concerned regarding the diversion of funds from the Gambling Treatment Program, which is a tax specified for that purpose. Every year, a higher percentage of diversions are approved – some for other treatment programs under the Health Department, but many for non-treatment needs. Our licensees are cooperative in training their employees to develop an awareness of the problem, but it is most disheartening to them to see the money they have paid as a tax designated for the Gambling Treatment Program go elsewhere while they bear the criticism for being insensitive to problem gamblers.

As we close the books on 2001, once again, I want to recognize that the credit for the stability of this regulatory agency is due to the stability of the IRGC staff. Along with our partner agencies, the DCI and the Attorney General's Office, our Administrator and his staff have kept the focus on data-driven decisions, ever sensitive to the Iowa Code and our State Government's original plan for the role of gaming and its compatibility with the citizens of Iowa.

Thank you for your support and encouragement this year. It is an honor to serve you and the state of Iowa.

Sincerely,

Rita Sealock, Chair

Iowa Racing & Gaming Commission

Reta Lealock

RS/jdh

COMMISSION MEETINGS

During 2001, the Iowa Racing & Gaming Commission (IRGC) met ten times. Minutes of each meeting are kept on file in the Commission office, and are available to the public upon request. The minutes are also available on the Commission's website: www3.state.ia.us/irgc/. Highlights of the meetings follow:

January 9, 2001 – The Commission met at the University Park Holiday Inn, West Des Moines, Iowa. The Commission heard a presentation by Frank Fahrenkoph, President of the American Gaming Association. Several changes to Administrative Rules were approved under Notice of Intended Action. A request by Prairie Meadows Racetrack & Casino (PMR&C) to amend their race dates and post times for the Thoroughbred Meet was approved. Hearings for a violation of Iowa Code Section 99F.9 (Wagering-Age Restriction) were held for Lakeside Casino Resort (Lakeside) and PMR&C. Proposed Stipulated Agreements were approved by the Commission in each instance.

March 1, 2001 – The Commission met at the Sheraton Four Points Hotel, Clive, Iowa. Executive Session was held for the purpose of receiving background information from the Division of Criminal Investigation pursuant to Iowa Code Section 21.5(g). The Commission approved the 45-day plan for the upcoming race meet at Dubuque Greyhound Park & Casino (DGP&C), and the Thoroughbred Meet at PMR&C. The Commission also approved a request by PMR&C to amend the race dates and post times for the upcoming Mixed and Harness meets. A report was given on the results of the State Auditor's audit of the Iowa Greyhound Association (IGA)/Iowa West Racing Association (IWRA) Escrow Account. The Commission approved distribution of the Greyhound Promotion Fund to the IGA with certain conditions for the 2001 fiscal year. Excursion gambling boat licenses were renewed for the following: Southeast Iowa Regional Riverboat Commission/Catfish Bend Casinos, L.C.; Clinton County Gaming Association (CCGA)/Mississippi Belle II, Inc.; Missouri River Historical Development, Inc./Belle of Sioux City, L.P. (BSC); Dubuque Racing Association (DRA)/Peninsula Gaming Company, LLC; Clarke County Development Corporation/Southern Iowa Gaming Company; IWRA/Ameristar Casino Council Bluffs, Inc.; IWRA/Harveys Casino Hotel; Riverboat Development Authority/IOC Davenport, Inc.; Scott County Regional Authority/Isle of Capri Bettendorf, L.C.; and Upper Mississippi Gaming Corporation/Isle of Capri Marquette.

<u>April 19, 2001</u> – The Commission met at the Davenport Radisson, Davenport, Iowa. The Commission approved the final adoption of rule changes noticed at the January 2001 meeting. Distribution of the Horse Racing Promotion Fund to the Thoroughbred Breeders and Owners Association, Iowa Quarter Horse Racing Association and Iowa Harness Horseman's Association was approved. PMR&C's 45-day plan for the Mixed Meet was approved. The Commission approved a Stipulated Agreement between Bluffs Run Casino (BRC) and IRGC regarding delinquent pari-mutuel taxes.

May 17, 2001 – The Commission met at Ameristar Casino, Council Bluffs, Iowa. The Commission approved Notice of Intended Action for four Administrative rules. The Commission heard a report on casino gaming's impact on Council Bluffs. Harrah's Entertainment, Inc. gave a presentation on their proposed purchase of Harveys Casino Resorts. Meeting dates for fiscal year 2002 were approved.

<u>June 20, 2001</u> – The Commission met at the Sheraton Four Points Hotel, Des Moines, Iowa. The Commission approved the Notice of Intended Action on a proposed rule change. The admission fee schedule for fiscal year 2002 was approved. The Commission approved the license application of IWRA/Harrah's Entertainment, Inc. regarding Harrah's purchase of Harveys Casino Resorts. The

2000 year-end financial audits for the majority of the licensees were reviewed. A hearing was held for BSC for a violation of Iowa Code Section 99F.9 (Wagering –Age Restrictions). The Commission approved a Stipulated Agreement in this matter. Notice was given that applications for the Greyhound Promotion Fund were due in the Commission's office by July 10, 2001. Chair Hansen presented an economic enhancement comparison of the 1980's to the 1990's regarding casino gaming's contribution to Iowa's economy.

<u>July 18, 2001</u> – The Commission met at the Sheraton Four Points Hotel, Des Moines, Iowa. The Commission awarded the Greyhound Promotion Fund to the IGA. PMR&C's request for approval of the 45-day plan for the Harness Meet was approved. A hearing was held for BRC for a violation of Iowa Code Section 99F.9 (Wagering – Age Restriction). The Commission approved a Stipulated Agreement in this matter. Rita Sealock and W. R. "Bill" Hansen were elected to serve as Chair and Vice Chair respectively for fiscal year 2002.

<u>August 14, 2001</u> – The Commission met at the Sioux City Convention Center, Sioux City, Iowa. Executive Session was held for the purpose of receiving background information from the Division of Criminal Investigation pursuant to Iowa Code Section 21.5(g). The Commission approved the Final Adoption of rule changes noticed at the May and June Commission meetings. John Blackhawk, Chair of the Winnebago Tribe of Nebraska, addressed the Commission regarding comments made in connection with the underage gambling violation hearing for the BSC at the June Commission meeting.

September 19, 2001 – The Commission met at Comfort Suites at Living History Farms, Urbandale, Iowa. Executive Session was held for the purpose of receiving background information from the Division of Criminal Investigation pursuant to Iowa Code Section 21.5(g). The Commission reviewed the year-end financial audits for the Isle of Capri licensees. Pari-mutuel license renewal applications and live and simulcast racing dates for 2002 were approved for DRA, IWRA, and Racing Association of Central Iowa (RACI). Scott Pope, President of the Iowa Thoroughbred Breeders and Owners Association, gave a presentation regarding the economic impact of the horse industry in Iowa. The Commission received a Petition for Rulemaking from Iowa Freedom of Information Council. Action on this issue was deferred to the October Commission meeting.

October 17, 2001 – The Commission met at Dubuque Greyhound Park & Casino, Dubuque, Iowa. Racetrack Enclosure gambling license renewals were approved for DRA/DGP&C, IWRA/BRC, and RACI/PMR&C. The Commission approved the Notice of Intended Action for Administrative Rule 491-5.5(99D) as revised by the Iowa Freedom of Information Council. CCGA/Mississippi Belle II Employees Ownership Co. addressed the Commission regarding their license application. The Commission approved a Stipulated Agreement during a hearing for PMR&C on a violation of Iowa Code Section 99F.9 (Wagering – Age Restriction).

November 14-15, 2001 – The Commission met at the Best Western Starlite Village Hotel, Des Moines, Iowa. Executive Session was held the evening of November 14, 2001 for the purpose of discussing personnel issues pursuant to Iowa Code Section 21.5(i). The Commission approved the 45-day plan for the 2002 race meet at BRC. The Commission approved the license application of CCGA/Mississippi Belle II Employees Ownership Co. The license will be valid through March 31, 2002. The Commission reappointed Jack P. Ketterer as the Administrator of IRGC from May 1, 2002 through April 30, 2006.

Financial Notes:

Extraordinary Item:

In the spring of 2001, floodwaters affected the casinos located on the Mississippi River. The flooding forced the facilities in Marquette, Davenport, and Fort Madison to close for a short period of time. Thus gross revenues and attendance were extraordinarily affected at all three facilities during the months of

April and May.



Marquette (Isle of Capri)





Fort Madison (Catfish Bend)

Davenport (Rhythm City)